
HarborCountry

Chamber of Commerce

ANNUAL REPORT
August 31, 2020

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

ANNUAL REPORT

August 31, 2020

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INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors of
Harbor Country Chamber Of Commerce
Three Oaks, Michigan

Management is responsible for the accompanying financial statements of Harbor Country Chamber Of Commerce (a nonprofit organization), which comprise the statements of financial position as of August 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Respectfully submitted,

A handwritten signature in blue ink that reads 'Kruggel Lawton & Company, LLC'.

Certified Public Accountants

St. Joseph, Michigan
January 30, 2021

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENTS OF FINANCIAL POSITION

August 31, 2020 and 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	304,884	246,727
Accounts receivable	13,406	1,180
Inventory	6,723	6,732
<hr/>		
Total Current Assets	<hr/> 325,013	<hr/> 254,639
PROPERTY AND EQUIPMENT		
Land	60,000	60,000
Building and improvements	226,899	226,899
Office furniture and equipment	68,051	68,051
Intangible asset	11,250	11,250
<hr/>		
Total	366,200	366,200
Accumulated depreciation and amortization	(117,764)	(107,788)
<hr/>		
Net Property and Equipment	<hr/> 248,436	<hr/> 258,412
TOTAL ASSETS	<hr/> 573,449	<hr/> 513,051

LIABILITIES AND NET ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT LIABILITIES		
Accounts payable	-	29
Other current liabilities	3,890	3,098
Note payable, current portion	5,240	4,978
<hr/>		
Total Current Liabilities	<hr/> 9,130	<hr/> 8,105
OTHER LIABILITIES		
Note payable, less current portion	41,595	47,088
<hr/>		
Other Liabilities	41,595	47,088
<hr/>		
TOTAL LIABILITIES	<hr/> 50,725	<hr/> 55,193
NET ASSETS		
Without donor restrictions	522,724	457,858
<hr/>		
TOTAL NET ASSETS	<hr/> 522,724	<hr/> 457,858
<hr/>		
TOTAL LIABILITIES AND NET ASSETS	<hr/> 573,449	<hr/> 513,051

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENTS OF ACTIVITIES

For the Year Ended August 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020	2019
PUBLIC SUPPORT AND REVENUE				
Membership dues	108,715	-	108,715	119,617
Paycheck Protection Program Grant	15,975	-	15,975	-
The Pokagon Fund Grant	1,500	-	1,500	-
Harbor Country Guide revenues	65,525	-	65,525	61,569
Special events (net of expenses of \$7,191 and \$19,393 in 2020 and 2019)	345	-	345	9,400
Rental income	4,675	-	4,675	7,335
Other revenues	3,411	-	3,411	1,592
Total Public Support and Revenue	200,146	-	200,146	199,513
EXPENSES				
Program	88,996	-	88,996	115,031
Management and general	46,284	-	46,284	56,168
Fundraising	-	-	-	903
Total Expenses	135,280	-	135,280	172,102
CHANGE IN NET ASSETS	64,866	-	64,866	27,411
NET ASSETS, BEGINNING OF YEAR	457,858	-	457,858	430,447
NET ASSETS, END OF YEAR	522,724	-	522,724	457,858

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	71,054	-	-	71,054
Payroll taxes	5,920	-	-	5,920
Advertising and marketing	12,022	-	-	12,022
Office supplies	-	7,257	-	7,257
Postage	-	580	-	580
Telephone	-	4,346	-	4,346
Licenses and fees	-	104	-	104
Dues and subscriptions	-	100	-	100
Professional fees	-	3,334	-	3,334
Utilities	-	2,803	-	2,803
Depreciation and amortization expense	-	9,976	-	9,976
Insurance	-	3,152	-	3,152
Property taxes	-	4,494	-	4,494
Interest expense	-	2,272	-	2,272
Repairs and maintenance	-	3,048	-	3,048
Bank fees	-	3,705	-	3,705
Travel and entertainment	-	842	-	842
Miscellaneous	-	271	-	271
TOTAL	<u>88,996</u>	<u>46,284</u>	<u>-</u>	<u>135,280</u>

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended August 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and wages	99,192	-	-	99,192
Payroll taxes	8,521	-	-	8,521
Advertising and marketing	7,318	-	903	8,221
Office supplies	-	5,717	-	5,717
Postage	-	1,522	-	1,522
Telephone	-	3,802	-	3,802
Licenses and fees	-	92	-	92
Dues and subscriptions	-	130	-	130
Professional fees	-	5,500	-	5,500
Utilities	-	2,726	-	2,726
Depreciation and amortization expense	-	13,105	-	13,105
Insurance	-	2,721	-	2,721
Property taxes	-	4,388	-	4,388
Interest expense	-	2,733	-	2,733
Repairs and maintenance	-	7,755	-	7,755
Bank fees	-	3,980	-	3,980
Travel and entertainment	-	1,770	-	1,770
Miscellaneous	-	227	-	227
TOTAL	<u>115,031</u>	<u>56,168</u>	<u>903</u>	<u>172,102</u>

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

STATEMENTS OF CASH FLOWS

For the Years Ended August 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	64,866	27,411
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation and amortization expense	9,976	13,105
Adjustments for changes in operating assets and liabilities:		
Accounts receivable	(12,226)	200
Inventory	9	28
Accounts payable	(29)	(211)
Deferred revenues	-	(6,250)
Other current liabilities	792	(996)
Net Cash Flows from Operating Activities	<u>63,388</u>	<u>33,287</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long-term debt	(5,231)	(4,743)
Net Cash Flows from Financing Activities	<u>(5,231)</u>	<u>(4,743)</u>
 CHANGE IN CASH	58,157	28,544
CASH AT BEGINNING OF YEAR	<u>246,727</u>	<u>218,183</u>
 CASH AT END OF YEAR	<u><u>304,884</u></u>	<u><u>246,727</u></u>
 SUPPLEMENTARY DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	2,272	2,733

The Notes to Financial Statements are an integral part of this statement.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NATURE OF BUSINESS

Harbor Country Chamber of Commerce (the "Chamber") is a tax-exempt, nonprofit Michigan Corporation organized to promote tourism in the Harbor Country area. The Chamber's primary funding is from membership dues and sales revenue of its annual Harbor Country Guide.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The financial statements of the Chamber have been prepared on the accrual basis.

The Chamber adheres to Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, which sets standards for reporting on financial statements of not-for-profit organizations. ASC 958-205 requires the classification and presentation of net assets in two categories: net assets with donor restrictions and net assets without donor restrictions..

Net assets without donor restrictions are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Chamber's management and board of directors.

Net assets with donor restrictions are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Foundation or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

For purposes of the Statements of Financial Position, the Chamber considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. Cash is held at several local banks and is insured up to the limits of the Federal Deposit Insurance Corporation ("FDIC"). It is common throughout the course of operations for the Chamber's cash balance to exceed the insured limit.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances and is presented net of allowance for doubtful accounts, which is estimated to be zero at August 31, 2020 and 2019, respectively. Factors considered in determining collectibility include past collection history, an aged analysis of receivables, economic conditions, as well as historical trends. Interest is not charged on past due accounts.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

INVENTORIES

Inventories of posters and various memorabilia are stated at the lesser of cost or net realizable value and are determined by the first-in, first-out method.

PROPERTY AND EQUIPMENT

Purchased property and equipment are stated at cost. Expenditures for additions, improvements and replacements are added to the property and equipment accounts. Repairs and maintenance are charged to expense as incurred. When equipment is retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the respective accounts and any gains or losses arising from the disposition are reflected in income. Depreciation and amortization is provided for over the estimated useful lives of the assets using the straight-line method. Depreciation and amortization expense for the year ended August 31, 2020 and 2019, was \$9,976 and \$13,105, respectively .

A summary of the range of lives by asset category follows:

Buildings and improvements	15 - 39 years
Office furniture and equipment	5 - 7 years
Website	3 years

DEFERRED REVENUES

The Chamber records deferred revenue in the Statements of Financial Position upon the receipt of cash from members in advance for advertising in the Undiscovered Season brochure. These fees are recognized as revenue in the Statements of Activities when the related expenses for the production of the brochure are incurred.

PUBLIC SUPPORT AND REVENUES

The Chamber collects membership fees from businesses, individuals, and nonprofit entities for being a member of the Chamber. The Chamber also receives revenues from sales of advertisements on the annual Harbor Country Guide and Undiscovered Season brochure.

ADVERTISING COSTS

Various costs relating to advertising are considered period costs and are therefore expensed as incurred. Advertising costs for the years ended August 31, 2020 and 2019, were \$12,022 and \$8,221, respectively.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the program and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated between program and supporting services based upon actual costs incurred within each area.

Expense	Method of Allocation
Program; Supporting Services	Time and Effort

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

INCOME TAXES

The Chamber is a nonprofit organization that is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code. The Internal Revenue Service ("IRS") has determined that the Chamber is not a private foundation within the meaning of Section 509(a).

The *Income Taxes Topic*, FASB ASC 740, clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. ASC 740 requires an Chamber to disclose the nature of uncertain tax positions taken, if any, when filing its income tax return utilizing a two-step process to recognize and measure any uncertain tax positions taken. The Chamber recognizes a tax benefit only if it is more likely than not the position would be sustained in a tax examination, with a tax examination being presumed to occur. No tax benefit will be recorded on tax positions not meeting the more likely than not test. Interest and penalties accrued or incurred, if any, as a result of applying ASC 740 will be recorded to interest expense and other expense, respectively.

Based on its evaluation, the Chamber has concluded that there are no uncertain tax positions requiring recognition in its financial statements. The Chamber's evaluation was performed for all federal and state periods still subject to examination. The Chamber's federal and state exempt organization returns remain subject to examination by the IRS and state taxing authorities for the three previous fiscal years.

The Chamber had no unrelated business income tax for the years ended August 31, 2020 and 2019.

NOTE 2 - LIQUIDITY AND AVAILABILITY

As of the years ended August 31, 2020 and 2019, the Chamber has working capital of \$315,883 and \$246,534 and average days of cash on hand of 824 and 523, respectively.

Financial assets at August 31:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	304,884	246,727
Accounts receivable	13,406	1,180
Total financial assets	<u>318,290</u>	<u>247,907</u>
Financial assets available to meet general expenditures within one year	<u>318,290</u>	<u>247,907</u>

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 3 - PAYCHECK PROTECTION PROGRAM

The Chamber applied for and received approval for a loan from New Buffalo Savings Bank under the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") as provided in the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The loan was approved by the SBA in May 2020 and funded in the amount of \$15,975, with a fixed interest rate of 1% and maturity date of May 2022, at which time the entire unpaid balance of principal and interest is due. Under the CARES Act, this loan calls for no payments during the deferral period and can be forgiven if used for the limited purposes outlined under the PPP and SBA requirements. The loan and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of the loan forgiveness will be reduced if the borrower terminated employees or reduced salaries during the twenty-four week period. Guidance provided in FASB ASC 405-20-40-1 states that the proceeds of this loan would remain recorded as a liability until either; the loan is, in part or wholly, forgiven and the debtor has been "legally released", or the debtor pays off the loan to the creditor. The Chamber received confirmation from New Buffalo Savings Bank that their SBA PPP loan was forgiven. Due to the forgiveness, management recorded the PPP loan as a gain on extinguishment in other income under guidance provided by ASC 450-30.

NOTE 4 - LONG-TERM DEBT

The following summarizes outstanding long-term debt as of August 31:

	<u>2020</u>	<u>2019</u>
Mortgage note payable to Country Heritage Credit Union for \$78,750, requiring monthly payments of \$623 through March 13, 2028, which includes interest rate of 5.0%. The note is secured by real estate of the Chamber.	46,835	52,066
Total long-term debt	46,835	52,066
Less current portion	(5,240)	(4,978)
<u> Long-term debt</u>	<u>41,595</u>	<u>47,088</u>

Long-term debt is scheduled to mature as follows for the years ending August 31, 2020:

2022	5,508
2023	5,789
2024	6,082
2025	6,397
2026 - 2028	17,819
<u> Long-term debt</u>	<u>41,595</u>

NOTE 5 - CONCENTRATIONS

The Chamber members and Chamber activities are concentrated in the Harbor Country area. Accordingly, conditions in that area may affect its membership, gift, and other sources of support and revenue.

HARBOR COUNTRY CHAMBER OF COMMERCE

Three Oaks, Michigan

NOTES TO FINANCIAL STATEMENTS

August 31, 2020 and 2019

NOTE 6 - SUBSEQUENT EVENTS

The Chamber has evaluated subsequent events through January 30, 2021, the date the financial statements were available to be issued. No events or transactions occurred during this period which require recognition or disclosure in the financial statements.